Guide to your company's payroll maturity
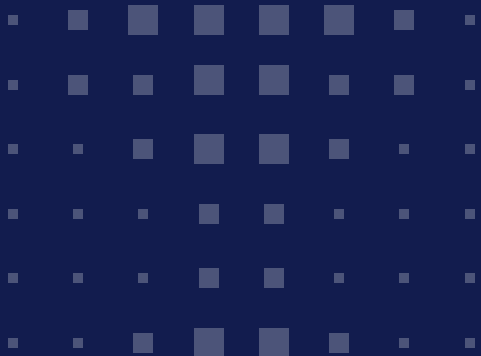
Benchmark your payroll function to be ready for international business growth

As an HR or finance decision-maker in a global company, you can scarcely have avoided the drive towards HR digital transformation over recent years. Whether your role is central or regional, you're under pressure to scrutinise your people and payroll operations and implement the changes to processes, business model and culture that will drive productivity and profitability alike.

Meanwhile, despite the pandemic-provoked economic headwinds, many companies are pushing ahead with global expansion projects. As business models adapt to the changing global reality, firms are turning to technology to fast-track operational and cost efficiencies and expand their current capabilities; buoying the HR technology market as a result.[1]

Why does payroll maturity matter?

As your company's international employee population grows, so too do the difficulties of running payroll. The complexity of in-country compliance most immediately springs to mind, but there's also the complexity of managing mounting processes, team roles and responsibilities, and demands around employee expectations and management reporting. Add in the new need to understand the dynamics of a remote and hybrid workforce, and it's clear that the sophistication of your HR and payroll technology can make or break how you cope with international expansion.

The three phases towards transformation

But how do you know how far your company has come on this journey of HR and payroll digital transformation? How do you go about benchmarking your position against an abstract optimal state, against other functions within your business and, most pressingly, your relative progress against competitors, to establish whether you're making the most of payroll as a powerful business differentiator?

At ADP, we break down the transformation process and outcomes into three phases: optimisation, visibility and agility. We've created this short guide to help you assess your payroll maturity as your company prepares to expand into new international markets.

Assessing the maturity of your international payroll operations

We recommend you use the chart we've created below as a tool to orientate your digital transformation plans. Do bear in mind that very few companies will fully match one single maturity level, and that developing maturity is rarely a straightforward, linear process. The key is to review and make sure your current global payroll technology can provide what you'll need to support your organisation's expansionary ambitions.

Phases of transformation	Present state				
Phase one **Optimisation** Cut out cost inefficiencies and simplify your payroll	Payroll managed wholly in-house across all countries	Payroll managed partly in-house, partly outsourced to different vendors	Payroll managed through 'hybrid' approach, using several vendors and systems to run payroll in different regions/countries	Payroll wholly outsourced to a single global payroll provider on a unified payroll platform	Payroll wholly outsourced to a single global payroll provider on a unified payroll platform
	Manual and error-prone processes and transactions, reliance on spreadsheets, very few documented processes	A mixture of manual and digitised processes, which are repeatable but offer limited predictability or standardisation	Digitised, standardised payroll processes that are consistently improving over time	Processes measured and controlled with a high degree of automation	Unrelenting focus on process performance, proactively suggesting innovations in supporting technology
	Payroll team working many hours' overtime and relying on payroll practitioner 'heroes' to complete each pay run	Payroll staff frequently stretched and likely to miss key payroll deadlines	Each payroll run goes well, though intervention still required to address unforeseen issues	Payroll runs like clockwork, with no surprises or employee complaints	Payroll and HR teams benefit from plenty of time to dedicate to strategic pursuits
	No employee or manager self-service capability, resulting in high volumes of employee queries and low-quality data	Limited examples of employee and manager self-service tools	Reasonable amount of employee and manager self-service tools although not all features being used	Strategic focus on employee and manager self-service tools	Actively influencing vendors' provision of self-service functionality
Phase two **Visibility** Share payroll-linked data across your company for better collaboration and decision-making	Unable to access data for global reporting (and existing data not reliable)	Can access some data but it's not standardised across countries Can't confidently track payroll spend	Can report globally in a standardised way but there are some gaps and inconsistencies Reporting metrics are defined and tracked	Applies global payroll data insights to model and inform workforce strategies (e.g., recruitment, benefits and pay equity) Successfully uses metrics to drive payroll process optimisation	Advanced HR benchmarking, forecasting and reporting, with complete visibility over spend Uses sophisticated, predictive HR management tools
	Unable to quantify risk of non-compliance with in-country labour laws (breaches are common)	In-house payroll and legal teams have only a loose grasp on location-specific legislation, leaving the business open to unknown compliance risks	Payroll complies with most in-country regulatory requirements, but some risk remains	Payroll fully compliant with all local legislation, with no input needed from in-house legal team	Effortless regulatory compliance in all territories where business operates Uses predictive and prescriptive analytics to model and mitigate for the potential regulatory impact on enterprise-level scenarios
Phase three **Agility** Build flexibility into your payroll solution so you can adapt to new ways of working	Payroll system is a lone entity, not connected to HRIS or any other ERP system (increasing the time taken to navigate separate systems and lessening data accuracy)	Some attempt to integrate payroll and HR systems, but separate databases are password-protected and time-consuming to access	You've integrated your payroll data with some HR and business systems (e.g., time and attendance system)	Global payroll data is fully integrated with your HR and finance systems	Payroll software is intrinsically integrated with your HRIS and accounting systems, providing a single 'source of truth' with data that informs C-suite decisions
PAYROLL MATURITY LEVELS	**1** **REACTIVE** **You're hampered by inefficient systems and blindspots around workforce information**	**2** **EMERGING** **Your payroll still relies too heavily on manual effort and you've yet to experience the benefits of automation or standardisation**	**3** **CONTROLLED** **Your payroll runs predictably well most of the time, but you can't fully integrate data-based intelligence**	**4** **ADVANCED** **You harness the intelligence of a fully integrated payroll and HR ecosystem**	**5** **LEADING** **You influence other business functions and vendors' product development roadmaps**

How mature is your company's payroll function?

Take a note of whether you're answering mostly A, B or C to the questions that follow as a guide to help you identify your company's current payroll maturity level **(see note on page 5 on your final score)**.

❯ Phase one: Optimisation

52%

of companies are finding out about payroll errors from employee complaints[2]

Pre-pandemic, only 52% of firms could say their payroll was 90–100% accurate (and six months later, this had plummeted to just 27% of firms)[2]

Our payroll function is:

A. Completely outsourced to a global payroll provider

B. A hybrid of in-house and outsourced for different countries (multiple payroll systems, multiple vendors)

C. Fully managed in-house (on-premise)

I would describe our payroll operating model as:

A. Globally centralised

B. Regionally centralised

C. Fully managed in-house (on-premise)

Our current payroll technology comprises:

A. A single, global payroll system

B. Various bespoke systems for each region or a mixture of regional and in-country systems

C. Wholly individual in-country systems

Our payroll is processed:

A. Digitally/in the cloud (SaaS — 'software as a service')

B. A mixture of digitally and manually

C. Fully managed in-house (on-premise)

To process payroll for our employees globally on average takes:

A. 1–3 days

B. 3–5 days

C. More than 5 days

Our payroll processes are:

A. Fully digitised and online

B. Mostly digitised but some still paper-based

C. Fully paper-based and offline (scanning, printing, reviewing, reconciling)

We meet payroll deadlines:

A. Every time

B. Some of the time

C. Rarely

On average, our company's payroll is:

A. 90–100 percent accurate

B. 70–89 percent accurate

C. Less than 69 percent accurate

When it comes to payroll errors:

A. Our software flags any errors in advance so we can rectify them

B. We track payroll errors and detect them proactively

C. Mistakes only come to light when employees complain or a payroll audit is run

Across the countries where we have employees, we run:

A. One single payroll cycle for all staff

B. Mostly synchronous pay cycles

C. Pay cycles at many different times

Typically, we have to run off-cycle payments:

A. Never

B. Now and again

C. Frequently

In terms of payroll self-service options:

A. We've introduced a full mobile-friendly suite of employee and manager self-service tools, allowing staff to both view and update their pay-related information

B. We offer limited self-service functionality for employees and managers

C. Our payroll system doesn't include self-service functionality

Thinking about automation, I would say:

A. We've automated data collection, time tracking, absence management and scheduling

B. We've automated some time-consuming tasks but haven't really explored artificial intelligence and machine learning

C. We haven't yet started to automate any payroll processes

Phase two: Visibility

When it comes to having a clear line of sight across our payroll data:

A. We access a user-friendly, single view of our multi-country workforce data, with pre-built templates to help us create our own reports

B. For workforce analytics we rely on a few in-house data experts, who manually grapple with data housed in different systems

C. We're not able to report on our global workforce in any meaningful way, given the disparate nature of our employee data

We have a reliable, consolidated view of our global staffing costs:

A. Yes, and it's easy to find requested information when senior leaders request it

B. Not really — we tend to cobble the data together through manual workarounds but aren't confident about its accuracy

C. Not at all — costs are stored in multiple places and it's impossible to reconcile them accurately for reporting

Our risk of non-compliance with local pay-related legislation is:

A. Low — our global payroll provider monitors regulatory changes and automatically updates our payroll system to comply

B. Moderate — we rely on a mix of in-house legal teams and our in-country payroll partners to monitor for changes and update our various payroll platforms

C. High — we rely only on our in-house legal and IT teams to monitor and update our payroll systems in response

Our payroll data security protocols:

A. Are robust — data integrity wasn't compromised throughout the pandemic and we've never incurred a non-compliance fine

B. Are mostly sufficient but are an ongoing cause of concern

C. Have proven vulnerable to attacks on highly sensitive payroll data, triggering fines from regulatory authorities

Over 90 percent of our employees are highly satisfied with their payroll experience (accurate, timely pay and swift resolution of queries):

A. Yes

B. No

C. Don't know (we don't have this data)

To report on our payroll performance:

A. We've defined our own metrics and KPIs and use these to improve our payroll performance

B. We use some standard metrics (such as number of payroll errors) but struggle to relate this back to improving processes

C. We don't have any defined metrics or KPIs

Phase three: Agility

As regards integrating our payroll system with any other business functions' platforms:

A. It's integrated bi-directionally with our HRIS/ERP

B. It's integrated with HR and/or our time and attendance systems, or policies such as expense reimbursement and paid time off

C. It hasn't been integrated with other business systems

When we expand into a new country:

A. It's relatively easy to set up new employees thanks to our global payroll infrastructure already in place

B. We manage to pay employees in the new country but rely on the herculean efforts (and overtime) of our payroll practitioners

C. We struggle to familiarise ourselves with the local legal and financial framework and have to recruit a payroll vendor who can cover that territory

51%

of organisations with little or no payroll integration are not confident about being positively audited on payroll compliance[2]

Integrating HR systems, processes and data across geographies was identified as the third most common HR challenge, but also the area in which technology adoption has had the greatest positive impact[3]

How did you score?

A **Mostly As:**
You're likely between the levels of **Advanced** and **Leading**

B **Mostly Bs:**
You're likely between the levels of **Emerging** and **Controlled**

C **Mostly Cs:**
You're likely between the levels of **Reactive** and **Emerging**

Can your payroll function cope as your business expands abroad?

Whichever maturity level — or mix of levels — your payroll function currently occupies, as you get ready to enter new geographies you need to know you're equipped with the technological capabilities that will help you overcome HR challenges and hit the ground running.

It may well seem overwhelming, having to contemplate HR digital transformation at the same time as ensuring your payroll function is fit for purpose in your company's new markets. Our advice? Think of the two as going hand in hand and take a phased approach to payroll transformation. Focus on optimisation, visibility and agility — it's the simplest way to limit disruption and deliver measurable results.

We recommend you also share this guide with your HR and finance colleagues (it's always an interesting exercise to see how fellow payroll professionals rank your organisation's current maturity level).

Download our payroll efficiency checklist as a reference to help you pinpoint the areas where payroll technology should be helping you introduce efficiencies that cut costs and risk as your organisation expands.

59%

of executives say that having too many inefficient manual processes is the single biggest barrier to strategic initiatives[2]

1. Human Resource Executive, '6 tips for choosing the right HR technology', 2022
2. ADP, The potential of payroll: Global payroll survey 2021
3. Growing pains: The HR challenges of international expansion, The Economist Intelligence Unit (sponsored by ADP), 2020

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